the grand result, is the profound meaning which is given to the phenomena of helpless babyhood. From of old we have heard the monition, "Except ye be as babes, ye cannot enter the kingdom of heaven." The latest science now shows us — though in a very different sense of the words — that, unless we had been as babes, the ethical phenomena which give all its significance to the phrase "kingdom of heaven" would have been non-existent for us. Without the circumstances of infancy we might have become formidable among animals through sheer force of sharp-wittedness. But, except for these circumstances, we should never have comprehended the meaning of such phrases as "self-sacrifice" or "devotion." The phenomena of social life would have been omitted from the history of the world, and with them the phenomena of ethics and of religion.

JOHN FISKE.

ART. II. — THE MEANING AND CAUSES OF VALUE.

ALTHOUGH the term "value" plays a most conspicuous part in political economy, yet many economic writers have neglected to define it carefully and correctly, as though the term were of little importance. In consequence of this neglect, they have greatly multiplied the errors to be found in this department of study, which were numerous enough before.

It is certain that the leading terms in political economy must be definitely settled before any progress in it can be made. Macleod has made some remarks upon this subject which are well worthy of a place here. He asks, "Why has political economy not yet attained the same rank as mechanics as an exact science? Because the same care has never yet been given to settle its definitions and axioms. Economic science is now, like mechanics in its early stages, overrun and infested with words, whose meaning has never yet been settled on certain principles, and which are scarcely ever used by any two writers in the same sense, — nay, few even of the best writers are consistent with themselves. The men who have cultivated economic science are probably of as great natural ability as those who

have cultivated physical science; of course, with the exception of certain unapproachable examples. Why, then, have they not come to the same unanimity as their brethren? The simple reason is, that they have not adopted the only means that could by any possibility insure success, namely, a thorough discussion and settlement of the meanings of words, nay, they have systematically despised it." * We think, therefore, that we are justified in using considerable space to define the meaning of value, if thereby we make the meaning plain; and the more justified, because it is the essential term, the deepest root, in the science of political economy.

At the outset, let it be deeply engraven on the mind that value is not a quality inhering in any object whatever. This truth will appear very clearly from Professor Perry's illustration. "If I take up a new lead-pencil from my table, for the purpose of examining all its qualities, I shall immediately perceive those which are visible and tangible. The pencil has length, a cylindrical form, a black color, is hard to the touch, is composed of wood and plumbago in certain relations to each other, and has the quality, when sharpened at the end, of making black marks upon white paper. These qualities, and such as these, may be learned by a study of the pencil itself. But can I learn, by a study of the pencil itself, the *value* of the pencil? Is value a quality? By any examination of its mechanical, or by any analysis of its chemical, properties, can I detect how much the pencil is *worth?* No. The questioning of the senses, however minute, the test of the laboratory, however delicate, applied to the pencil alone can never determine how much it is worth." † Value, then, is not a quality of a thing. It can never be found in any object. The mistakes of economists who have not kept this truth clearly in view have been most deplorable.

Before going further towards finding out the meaning of value, let us stop to define utility. For this is another difficulty which must be removed before the way to the meaning of value can be easily travelled. Nothing, therefore, is lost by stopping to define it.

---

* Theory and Practice of Banking, Vol. I., Intro., p. 29 (2d ed.).

† Elements of Polit. Economy, p. 46.

Utility is the capacity which an object has to satisfy the desire of its possessor. But the utility here meant is not "that utility which is determined by reason and measured by a philosophical standard." * If an object has capacity to satisfy the desire of its possessor, however strong or weak, however depraved or elevated the desire may be, that object has utility. In this sense of the word, which is the etymological one, ardent spirits have utility the same as wheat. An obscene book, so long as it satisfies desire, has utility,—like the Bible, which satisfies the longing of many a soul. The same thing may have no utility to one man, a low utility to another, and a very high utility to a third. That is, it has no capacity to satisfy a desire of the first, a slight capacity to satisfy the desire of the second, but a very high capacity to satisfy the desire of the other.†

But utility must be carefully distinguished from exchangeability. Utility is the capacity of an object to satisfy the desire of its owner; exchangeability is the capacity of an object to satisfy the desire of one not the owner, combined, also, with his ability to purchase it. Hence, an object may have utility, even though no one beside the owner ever hears of its existence; but an object never has exchangeability unless known to and desired by another.

Yet an article may possess both exchangeability and utility. This is often the case. Thus gold is exchangeable, for it may be desired by another; and also useful, for the owner may wear it as ornament or otherwise, or manufacture it into watches, jewelry, and the like. Having cleared up the meaning of these terms, let us proceed on our way towards defining value.

When Robinson Crusoe recovered from his shipwreck, he found that he was the sole owner and occupant of a comfortable and fertile island. There was abundance for food and clothing; he easily provided himself with a house for shelter and habitation. Yet all these possessions had no value. They had utility, for they could satisfy his wants. Indeed, they were quite as useful to him as if he and they had been in

* Bowen, Am. Polit. Econ., p. 27.

† See Perry's Elements of Polit. Econ., p. 72.

England. Their utility was great, their value nothing; why did they not have value? There must have been some other person having exchangeable objects, who also wanted some of Crusoe's things; and further, an exchange must have actually taken place before the commodities of either person could have had any value. If people, living in the same community, and owning different commodities, never exchanged them with each other, such commodities could have no value. Commodities cannot have value unless their owners exchange them with one another for those things which they desire but have not. Consequently, Crusoe's possessions had no value because he owned everything and was alone. But if another person had lived there, having various things which Crusoe wanted, and which could have been obtained by exchanging a part of his own for them, then the values of the several commodities exchanged could have been ascertained. Hence we find that the value of a commodity is an estimate agreed to between the person parting with and the person receiving it. But in what words or terms is this estimate or value expressed? A has a hat and B a pair of shoes. Each wishes to exchange his product for that of the other. After considerable discussion, in which A declares that he ought to have more than the shoes for his hat, it is agreed that each shall exchange his product for that of the other. The value of the hat, therefore, is expressed by the shoes; thus the hat is said to be worth the pair of shoes; and, likewise, the shoes are worth the hat. The value of each product is expressed by the other. Thus our conception of value is now complete, and may be expressed in the following manner: Value is the estimate agreed to between the person parting with and the person receiving a commodity expressed in some other commodity that is exchanged for it.

We think that this definition of value will be easily apprehended. It will be seen that value does not reside in a commodity, but is an estimate or affection of the mind. It is not an estimate made by one person, however, but by two or more, —by all the parties owning the several articles that are exchanged. Nor can an estimate ever be considered the value of anything unless an exchange actually takes place.

Hence, an *ex parte* estimate, i. e. the estimate of one person,

or the estimates of persons who are not the owners, can never be considered as the value of anything. True, we can tell what the value of a commodity was at the time of the last exchange, as expressed in the commodity exchanged for it; so, likewise, can we tell what it probably will exchange for at some future time. And this is our meaning when we say that a commodity is worth a certain sum or thing. We mean that it was exchanged for some other thing, or can be exchanged for it at some future time. So the merchant, conscious of this truth, can calculate with a reasonable degree of certainty upon the wants of his customers, and what he can probably get for his goods. And because the values, or estimates which men put upon things, undergo but little change, they can buy and sell, and engage in commerce in the most distant parts of the earth. Yet how often men fail to discern the varying and capricious values or estimates that will be put upon things, is a matter of common experience.

Macleod has done so much to clear up the meaning of value that we cannot forbear making some extracts from him. Thus, he says that "however much a person may wish to sell any product of his own, yet, if no one will buy it, it has no value. If an exchange takes place, it can only do so from the reciprocal desire of each for the product of the other. Hence it is clear that *value necessarily requires the concurrence of two minds.*" * It is a little singular, however, that he should have written the following sentence just before those last quoted. "We may observe that, since a thing which cannot be exchanged has no value, the value of anything depends not upon the person who offers it for sale, but upon the desire of the purchaser." Is not that equivalent to saying that the value of a thing depends upon the desire of the purchaser? And is not this statement directly opposed to the one previously quoted, namely, "that value necessarily requires the concurrence of two minds, ... and that if an exchange takes place, it can only do so from the reciprocal desire of each for the product of the other"? Before an exchange can take place, there must be a meeting of minds; which person has the strongest desire to exchange is often difficult to tell, for each generally tries to conceal his desires,

* Theory and Practice of Banking, Vol. I. p. 14.

in part, at least, in the hope of making a better exchange. Suppose the purchaser is in great want of bread, and the seller knows it, will not the latter use his information to increase the value or estimate of his bread? Or suppose a dealer has some article on hand, like perishable fruit, which he is very desirous to dispose of, will not the purchaser often use his knowledge to reduce the value of the fruit? Consequently, the statement is a mistake that "the value of anything depends, not upon the person who offers it for sale, but upon the desire of the purchaser." It depends upon the desires of both; which of them has the strongest or weakest desire cannot easily be told. Macleod, however, has discussed this subject so clearly elsewhere, that we shall do him justice by further quotation. "Value is not a quality of an object, but an *affection of the mind.* The sole source and origin of value is *human desire.* When there is a demand for things, they have value; when the demand ceases, they cease to have value, and the supply being the same, when the demand increases the value increases, and as demand diminishes value diminishes. It is demand which discriminates between the pearl and the shell, the diamond and the rubbish. It is because some people demand cigars that among them cigars have value, and because others do not demand them, that among them they would have no value. It is the intensity of demand that confers such enormous value on the space in the heart of London, and the gradually diminishing demand which makes land less valuable as the distance from the centre increases. What is it that gives value to the produce of the farmer? It is the demand of the people for food and clothing, and their readiness to give something in exchange for its [his] products. These wants are permanent, and, consequently, so long as they exist, the value of the land will be permanent. If it were possible to imagine that men would cease to require food or clothing, or should they change their tastes and require such food or clothing as could not be produced in England, then the value of the land would immediately die off.

"The value of land, then, arises from the fact that it supplies something that is wanted by men. And men invest their money and their labor in cultivating land and rearing cattle

because they expect that they will continue to have a permanent value. So, in the same way, it is the wants and desires of men that cause others to invest their money and labor in any pursuit whatever, and which gives value to that product. The continued desires and wants of men in law, medicine, engineering, literature, art, and science cause other men to devote their money and their labor in becoming lawyers, physicians, engineers, authors, artists, etc., etc., and so on through the whole catalogue of trades and professions. It is the demand of the public, and that only, which confers value on them. And if the demand of the public were to cease, the whole value of the labor of those who had devoted themselves to their acquisition would be lost." *

It is evident from what has been said that a standard of value is impossible. For, supposing that the values of two commodities have changed relatively to each other since a former exchange, in which has the change taken place? Thus, suppose a bushel of wheat was exchanged for a dollar of gold last year; but now that two bushels must be given for a dollar. Has the gold risen in value, or the wheat declined? It is no nearer the truth to say that the wheat has declined than that the gold has risen. Suppose that ten commodities have each been exchanged for the same amount of gold for a hundred years. This year, however, one of them, sugar for example, is exchanged for twice as much gold as ever before. Has sugar, therefore, risen in value, or has the value of gold declined? Put any examples you like, it will always be found that value is a relative expression, and, consequently, that no object can ever have a greater or less value than that with which it is compared and exchanged. So Professor Fawcett has written that "when, therefore, the general value of a commodity declines, less of every commodity can be obtained for it in exchange; but if this be so, the value of all these commodities must rise, when compared with the particular commodity in the value of which it has been supposed a general decline has taken place. These considerations demonstrate the erroneous nature of a statement not unfrequently made, that there is a general rise or fall in the value of all commodities. . . . . It is quite impossible that

* Theory and Practice of Banking, Vol. I. p. 57.

there should be a general rise of values, for if there is a rise in the value of one commodity, there must be a fall in the value of all the commodities with which this one is compared." * The works of Adam Smith and Ricardo are badly infested with error in consequence of their failure to see this truth. Both sought after an invariable standard of value which every living political economist admits cannot be found.

Before quitting this branch of our subject we may define the meaning of price. It is the value of a commodity expressed in money. Thus Bascom says that "the price of anything is its power to command gold, silver, or that which constitutes the currency of the country. Value may be expressed in any commodity whatever: price is expressed in one commodity only." †

We are now ready to consider the causes of value. What are the causes which have led men to agree to the values that have been given to the various articles bought and sold? Though it has been the custom among political economists to treat of the causes of value instead of those of price, yet, as exchanges in all civilized countries are generally expressed in money, our investigations will be simplified if we consider the causes of price rather than those of value. But in so doing, this assumption is involved, which must be kept in view: that when the price of a commodity varies, the variation is always supposed to be produced by something which affects the value of the commodity, and not the value of money. Let us explain our meaning by an illustration. "Suppose it is observed that the price of wheat rises; this rise in the price of wheat may be due to two very distinct causes. In the one case, wheat may become scarcer, and therefore dearer; in the other case, wheat, in common with every other commodity, may rise in price, in consequence of new discoveries of the precious metals, such as those made in Australia and California during the last few years." ‡ In the following investigation, therefore, the assumption is made that variations in price are not caused by an alteration in the value of money.

---

* Manual of Political Economy, p. 270.

† Political Economy, p. 222.

‡ Fawcett, Manual of Political Economy, p. 272.

What, then, are the causes of price? They are four, namely, difficulty of attainment, exchangeability, personal effort, and willingness of deprivation.

By difficulty of attainment is meant the labor or other difficulty inhering in, or connected with, a commodity which a person who is not the owner desires, and which he had rather buy than perform the labor of attaining directly himself. Hence, if an object having capacity to satisfy the desire of another cannot be had without difficulty, it is valuable, provided the person desiring it be of sufficient ability to pay for it. But if a commodity has no capacity to satisfy the desire of another, or if, having it, it can be had without difficulty, the commodity has no value. A man living in the country may suddenly find the waters of his well dried up so that he has none. To him, therefore, water has become exchangeable. But it may have no value, because he can get it of his neighbor by a very slight personal effort. But now he has gone to the city to live. Here he wants water as before, but he finds that he cannot get it by simply going to his neighbor's well. He cannot get it by direct personal effort without going a considerable distance beyond the city. Rather than go so far, he is willing to pay some one for it in order to have it. Consequently, the water paid for has value, because it could not be had without an effort, — without difficulty of attainment, — which the person had rather pay for than make directly himself.

Whenever, therefore, an exchange actually takes place, price expresses or measures this difficulty. If I pay seventy-five dollars for a watch, the money expresses or represents the difficulty of attaining it, — in other words, the labor expended in making it; I had rather pay this money for the labor of another than make the watch myself. But whenever an exchange does not take place, then difficulty of attainment is only another expression for the labor enhancing the exchangeability of an object. Yet it should be remembered that labor does not always render an object more exchangeable. A man may build a house in the wilderness at vast expense, nevertheless it may have no exchangeability, because no one has such tastes and desires as the builder.

It is most important to remember when difficulty of attain-

ment is used as an equivalent or measure of price, and when it is used as expressing simply the labor bestowed upon an object.

The second cause determining price is exchangeability. This we have previously defined as the capacity of an object to satisfy the desire of one who is not the owner. Now it is evident that whenever the desires of men change, the capacity of things to satisfy their desires changes also. Moreover, it is exceedingly difficult, indeed it is impossible, to find out all the causes which create and influence the desires of men. The causes are varied, often occult, unknown. Part of them lie in the realm of moral science, into which the economist cannot go. But since this is so, since we here find a junction between political economy and moral science, the moralist should not thrust the other study rudely aside, as he often does, for he would find that by cultivating, instead of ignoring it, his power over men would be greatly increased.

So, likewise, Professor Fawcett has said that the exchangeability of "some particular article is the result of various motives, which it is almost impossible to analyze. Thus, to one individual, A, the exchangeability of one of Turner's pictures is 2,000 guineas, for A would rather give this sum than be without the picture. To B, however, the exchangeability of the same picture is only 1,900 guineas. It is quite evident that various motives may induce a greater exchangeability to be attributed to this picture by A than by B; A may be a wealthier man than B, and money may consequently not be of so much importance to him. A may also have a superior taste for art, which makes his appreciation of a painting greater than that of B. A may also be influenced by a hope of future gain, since he may expect to realize considerable sums by granting permission to have the picture engraved; or he may think that, after a few years have elapsed, the demand for the works of the particular artist may so increase as greatly to enhance the value of the picture. In every case, a great variety of motives operate upon different individuals in determining the exchangeability which each may place upon any particular article." *

* Man. of Polit. Economy, p. 279. This is an exact quotation, except that we have substituted "exchangeability" for "value in use."

But the paradoxical proposition has been frequently declared to be true, that not only does price depend upon exchangeability, but also that exchangeability depends upon price. This paradox does not, we think, exist; nor would it ever have been declared to be true, if the distinction between difficulty of attainment as an equivalent of price and as only another expression for labor had been kept in view. Suppose a man is trying to find a house, with the intention of purchasing. After looking at several houses, he finds one that is just what he wants. It is an expensive place; the grounds are laid out with great care and skill. It is the taste and labor displayed about the place which render it so exchangeable. Satisfied that it is such a place as he wants, he then inquires the price. He has never thought of the price which the owner would ask till now. Suppose the owner is unwilling to sell the house except at an enormous price which the other is unwilling to pay. The purchaser has the means to buy, but he is unwilling to pay so much. Perhaps he thinks the owner is trying to drive a sharp bargain with him. He turns away disappointed, but afterwards he learns that the owner is willing to sell at a greatly reduced price. He purchases the house. Yet during all the time between the first examination of the house and the purchase of it its exchangeability was unchanged. Hence it is clear that the exchangeability of objects is not affected by their price; but whether *exchanges actually take place or not*, these depend upon the price of the things exchanged. Take peaches, for example. When they are first brought to market, many say, "We will not buy now, we will wait till the price is lower." They want them in the beginning just as much as afterwards, perhaps more. Their exchangeability is the same from the first to the last of the peach season; but not many exchanges are made till prices fall to a certain point.

There are many rocks which are unseen when the waters are high, that appear to view when the waters recede. Yet the rocks are there, whether the waters are high or low. So with our desires. They are as real when prices are so high that no exchanges are made, as when prices are low and exchanges frequent. The only difference is that when the prices of things rise above a certain point, the desires of men for them are un-

known to the world; when prices fall below a certain point, then the desires of men are found out through their efforts to gratify them.

But there is one class of commodities, the exchangeability of which depends *primarily* upon their value. Remembering that utility is the capacity of an object to satisfy the desire of its possessor, we remark that some commodities have utility solely on account of their value. Thus a diamond is useful at the present time because it has capacity to satisfy desire. Let diamonds become plentiful, however, and not only would their value vanish, but their utility also. Nobody would want them. Now it may be properly said that those articles which are useful simply because they are valuable are only exchangeable for a like reason. But all other commodities are exchangeable because of the labor or other difficulty connected with them. This is the cause which renders them exchangeable. Yet the value of the diamond, so long as it has any, is measured or estimated by difficulty of attainment like other commodities.*

A third cause determining price is personal effort. This is one of the causes which fixes the extremes of price. Thus suppose a purchaser is seeking for a chair. He goes into a store, and finding one that he likes, inquires the price. Being told that it is ten dollars, he remarks that he will not give so much, and that if the dealer will not sell it for nine dollars, he will make one himself. Personal effort, therefore, is the cause that fixes the highest price for the chair. As it is a cause determining the highest price of things, so likewise does it determine the lowest. But what do we mean by the highest and lowest price of a commodity? The first term is easily enough understood. The highest price is the most which a purchaser will pay for a thing. But what is meant by the lowest price?

* This was the assertion really made by Bastiat in his "Harmonies of Political Economy," and which Professor Cairnes has recently attacked. Fort. Rev., Vol. XIV. p 424. But the error into which we think the latter has fallen is in considering the difficulty of attainment paid for as the difficulty expended by the finder of the diamond. This is only a partial consideration of the whole fact. The price paid for the diamond measures the difficulty of attainment which the purchaser had rather pay for than undertake himself. That is to say, the difficulty actually paid for is the one which the purchaser himself would probably have to overcome in order to find the diamond.

Will not a man get a thing for nothing if he can? Most assuredly; nevertheless we cannot think of a preferable expression. By lowest price, we mean the least that the dealer actually will sell for, and at which he must sell, else the purchaser will obtain the thing desired by a direct personal effort, or by that of some other person.

Willingness of deprivation is the fourth and last cause determining price. When vulcanized rubber goods were first made, they constituted a monopoly as long as the patent existed, so that no one could make them but the patentee and those whom he permitted. A, the purchaser, desires a pair of boots, but B, the monopolist, will not sell them for less than ten dollars. A's unwillingness to be without the boots leads him to give this price. But he would give no more. Either he would get them by personal effort (supposing that he could make them), or he would deprive himself of them rather than buy at a higher price. Thus we see that A's personal effort, or willingness of deprivation, determined the highest price which he would pay for the boots. The same cause may determine their lowest price. The monopoly has expired. A wishes another pair. But now he tells B that he will not give him but four dollars a pair. Why not? Why is he willing to deprive himself of them if he cannot purchase at that price? Because he believes he can buy elsewhere for the price he offers. Willingness of deprivation, therefore, is a cause determining price, for no exchange can take place unless the price comes within the limits which men will pay.

Moreover, willingness of deprivation cannot be resolved into any other cause of price. It is easily distinguished from exchangeability, for that quality may, as we have seen, inhere in an object after willingness of deprivation has prevented a transfer of the ownership thereof.

Let us now inquire when the highest and lowest prices are paid for things; and, also, what is the reasonable price towards which all things are tending.

First, whenever a commodity constitutes a monopoly, then the highest price is paid for it.

Secondly, whenever the supply of a commodity is unlimited,

— that is, when it can be produced without increase of cost, — then the lowest price is paid for it.

Thirdly, the reasonable price of a commodity is the cost of production, by which is meant the money paid for labor, material, etc., together with a reasonable sum for profits.

Let us test the correctness of these principles by applying them to actual exchanges.

Formerly, the screw part of the metal screw had a flat end, so that a hole had to be made in the wood previous to the insertion of the screw. But in 1846 a screw was invented having a point like a gimblet, which could be inserted into pine and other soft woods, such as are most commonly used, without first making a hole. The great advantage of using this screw will be readily seen. It always fitted the wood snugly, and held the pieces secured by it firmly together, while it could be put in more quickly than the old-fashioned screw. Thus it had a greater utility, and likewise a greater exchangeability, than the other. Being a new and useful invention, the patentee had the exclusive right of making it for the succeeding eighteen years. By agreement with the patentee, a company was organized, which began the manufacture and sale of these screws. The company fixed a price at which they were sold, which was not altered very much during the whole time in which the company had the exclusive right of making them. As this company alone could make them, it is evident that they were not obliged to make any at all, or if they did, they could dictate the price at which they could be purchased. Hence it was in their power to sell at the very highest price which people would pay rather than go without. They could fix a price so high that no one would buy them; they could lower it so that only a few would buy, or they could diminish it so low that many would purchase. The price, however, which the company sought to fix was the highest price at which the screw would be generally sold in the place of the old-fashioned one. It was a comparatively easy matter to determine what this price should be, for they could tell by observation and inquiry whether these screws were used in the place of the old ones, and whether they were used where they should be, instead of something else in their place. And as the screws came into general

use soon after their manufacture began, it was evident that the company had set as low a price as was necessary, in order to make extensive sales.

But it is not always easy for the monopolist, in the beginning, to ascertain what is the highest price which he can set upon his monopoly in order to reap the largest profit therefrom. For be it remembered that the monopolist does not always seek to set a price at which the largest quantity can probably be sold, even though he should get a reasonable or great profit from his sales; but rather the highest price at which the largest quantity will probably be sold from which the greatest aggregate profits can be realized during the time in which he has the exclusive right of controlling his monopoly. Thus suppose the monopoly consists of the right to make and sell rubber goods. At first, rubber boots are sold at eight dollars a pair. We will suppose that half of this sum is profit. Thinking that the sales will be largely increased by a reduction of price, the boots are afterward sold for six dollars a pair. More purchasers are found at the latter price than at the former, but as the profits have been reduced one half it is now necessary to sell twice as many goods as before, else the aggregate profits are diminished by the reduction of price. If, therefore, it is found upon trial that a diminution of price does not bring as large aggregate profits as the former price, then a higher price is set upon the goods. And as the monopolist can control the price of his monopoly, whatever it may consist of, to the extent of it, so can he coldly squeeze out of men by trial the highest price which they will pay for his things rather than not have them, without fear of losing his trade or of being undersold, for there is no one to compete with him. This trial of the market, in order to ascertain the best price at which goods can be sold, has been aptly termed by Adam Smith "the higgling and bargaining of the market."

We might have given a simpler illustration, showing how the monopolist can control the highest price of his monopoly. We will suppose him to be the owner of a fine picture by a celebrated master. It is the only one of the kind which the master has ever produced. The owner offers it for sale at the highest price which he thinks any one is willing to pay. Suppose the

price to be ten thousand dollars. A dozen men offer five, three offer seven, two offer eight, and one offers nine thousand dollars for the picture. This is the highest price offered, and at which the owner must sell, if he sells at all. Having a monopoly, therefore, he is so situated that he can draw out the desires of men without losing his picture, and, consequently, can get the very highest price which any one is willing to give.

Another form of monopoly may be mentioned, namely, distance from another market. Let us illustrate the character of this monopoly. On the line of the Chicago and St. Louis railroad lives a miller, who at one time sold a portion of his flour to his neighbors for eight dollars a barrel, and sent the rest to St. Louis, which, after payment of ten cents per barrel for freight, he sold for seven dollars. Hence, he received one dollar and ten cents more upon every barrel sold at home than upon each one sent to St. Louis. Yet it was cheaper for his neighbors to pay him eight dollars than go to St. Louis and buy the flour for six dollars and ninety cents a barrel.

The extent of this monopoly may be easily enough ascertained. It is the difference between the merchant's time and expense of travelling to the market where the things are bought, and the time and expense of his customer. Thus suppose that the expense of doing a retail business in New York and Chicago is the same, and that the merchants at both places intend to sell so as to clear the same net profits. The New York merchant buys a certain kind of silk of an importer and sells the same for three dollars a yard. Now supposing that the Chicago merchant was amply repaid for the cost of transportation, travelling, etc., if he sold the same silk at three dollars and twenty-five cents per yard, yet if he actually sells it for three dollars and fifty cents a yard, the additional twenty-five cents in price is a monopoly which he enjoys in consequence of being so far away from the New York market.

The same principle may also be illustrated in the case of several kinds of labor. A noted artist is a monopolist. He may charge the highest price, and people will readily pay. So with a distinguished lawyer and physician. A Webster or Mott has the field to himself; he can make his own prices. So

with some other men. But in proportion to the number of men exercising the same calling, and having the same skill, does the monopoly decline. Whenever, therefore, labor constitutes a monopoly, its price is controlled by the laborer.

From what we have said, we think the reason clearly appears why every dealer seeks, so far as he can, to make the thing he sells a monopoly. For if he succeeds, then he can get the highest price for it, in other words, the highest price any one will pay; while if he does not succeed, then he can get only the lowest price, that is, a price which, if raised at all, the purchaser will not pay; for either he will acquire the thing by personal effort or obtain it from some other dealer. Let us restate this idea in other language. The dealer, if he be a monopolist, can get the difference between the lowest and highest price which a purchaser will pay for a thing; while if he be not a monopolist, the purchaser saves the difference for himself. Is it strange, therefore, that every dealer should try to become a monopolist, seeing that he has this advantage, that he can get the highest price which the purchaser will pay for his monopoly? So we find all sorts of combinations among men in order to make monopolies out of their trades, products, and professions. This is especially noticeable of late among railways. They combine for various reasons, but a prominent one is to control the price for carrying freight and passengers. And just here, in illustration of what we are saying, may be mentioned a monopoly enjoyed by Commodore Vanderbilt and his friends last winter during the time when the Erie Canal was closed. This was the only avenue for transportation between various places, except the New York Central Railroad. When, therefore, communication by way of the canal was stopped on account of ice, the owners of the railway had a monopoly, which they enjoyed to the fullest extent. Mr. Mill gives a very interesting illustration of the way in which a monopoly was created. The Dutch East India Company at one time owned the Spice Islands, and could control the quantity of produce to be sold. In consequence of being able to limit the quantity, they "obtained a monopoly price for the produce" sold. "But to do so they were obliged, in good seasons, to destroy a portion of the crop. Had they persisted in selling all that they pro-

duced, they must have forced a market by reducing the price, so low, perhaps, that they would have received for the larger quantity a less total return than for the smaller; at least they showed that such was their opinion by destroying their surplus." *

We cannot stop longer to point out other forms of monopoly, but some of them will come to light in connection with other parts of our subject. Besides, whether an article constitutes a monopoly or not, or whether men are seeking to make a monopoly of a particular thing or not, can generally be determined by slight observation. But this is true, that whenever a monopoly exists, whatever it may consist of, the monopolist, to the extent of his monopoly, can get the highest price for his commodities.

Let us, therefore, take up the second principle, and test its correctness by applying it to other exchanges. Take the case of common cotton goods. They can be manufactured to an almost indefinite amount without increase of cost. But there is no monopolist to squeeze out the highest price which the purchaser will pay rather than go without them. In the case of the screws, the monopolist could get the highest price for them because he could control the quantity to be made. He had one end of the string, and that the most important one, which no man could take away. But now the situation is reversed. The purchaser can buy at the lowest price. If the dealer charged any more, the purchaser would go away with the expectation of purchasing of some one else.

The same principle determines the price of common labor. As the number of this class to do the work which they are capable of performing is practically unlimited in very many places, so are their wages the lowest price that they will work for, for which if they will not labor, the employer will either stop his mill or employ others. In fact, the amount of work to be done may be regarded almost as a monopoly, so that the employer can fix his own price. He can give such a price as will just keep the laborer from starving; if he give less, the state must make up the deficiency or the laborer will starve. But as the state will, though imperfectly, protect people from starva-

* Princ. of Political Economy, Vol. I. p. 552.

tion, so the monopolist must, in common with others, pay the expense of this protection by way of taxes. It is usual, therefore, to pay the laborer enough to prevent him from starving. It is true that in this country we pay more than this. But if we do, what is the reason? Because many of the laborers are, to a certain extent, monopolists also. They have capital of their own, so that, if their labor will not support them, they will not starve. And if they cannot make a satisfactory bargain with their employers, and yet have no capital so as to defy them and compel them to raise the rate of wages, still, the great West is open to them, inviting them to come and till her fields. So long as we have such broad acres of cultivable but uncultivated land, the monopolist will be prevented from reducing wages to the starvation point. Nature has put within reach of the son of toil a counter-monopoly, with which he can successfully defy the monopolist.

And now the light breaks forth to clear up the darkness created by the monopolist. As his selfishness leads him to accumulate the largest aggregate profits from his monopoly, so do these high profits, by exciting the selfishness of other men, draw them into the production of the same things, whenever it is possible. Thus it often happens that if a business is exceedingly profitable, others will press into it until production becomes so great that the cost of producing will not be realized. One illustration will suffice. So long as the patent for making vulcanized rubber goods was in force, the owners of it realized great profits therefrom. But upon the death of the patent, so many rushed into the same business that the succeeding gains of the monopolist melted quickly away. So is it ever with monopolies. The selfishness of men which inspires them to create monopolies is counteracted by the selfishness of others, which brings about, sooner or later, their destruction. Hence, while one party in the industrial world is trying to build up monopolies, another party is equally zealous in tearing them down.

Having shown when the highest and lowest price is paid for commodities, we shall make a few observations upon the reasonable price towards which all commodities are tending. And it may be said that this is the ultimate price which will be paid

for all things. For no man will continue to produce permanently at a loss; indeed, he could not do so if he wished, for he would inevitably become a bankrupt. So Mr. Mill says, "Capitalists will not go on permanently producing at a loss. They will not even go on producing at a profit less than they can live upon. Persons whose capital is already embarked, and cannot be easily extricated, will persevere for a considerable time without profit, and have been known to persevere even at a loss, in hopes of better times. But they will not do so indefinitely, or when there is nothing to indicate that times are likely to improve. No new capital will be invested in an employment, unless there be an expectation not only of some profit, but of a profit as great (regard being had to the degree of eligibility of the employment in other respects) as can be hoped for in any other occupation at that time and place. When such profit is evidently not to be had, if people do not actually withdraw their capital, they at least abstain from replacing it when consumed. The cost of production, together with the ordinary profit, may therefore be called the *necessary* price, or value, of all things made by labor and capital. Nobody willingly produces in the prospect of loss. Whoever does so, does it under a miscalculation, which he corrects as fast as he is able." *

Let us give one other illustration for the purpose of bringing into a single view the existence and operation of the foregoing principles. Several years ago checked woollen clothing was extensively worn, it being then fashionable. In the beginning, the quantity that could be obtained was quite limited, and as its exchangeability suddenly increased, it constituted, indeed, a monopoly to a limited extent. The profit to the manufacturer being large, others began to make the same goods as soon as they could, so that the profits on them rapidly fell away to the cost of production. But after a time, fashion made a new decree that checks should no longer be worn. Immediately the exchangeability of the goods declined. Those who followed the decrees of fashion, if daring to trample so far upon her laws as to wear out what checked clothing they had, bought no more. True, some were unmindful of her dictates,

* Princ. of Political Economy, Vol. I. p. 555.

and were willing to wear checks still; to others these goods had always had a certain degree of exchangeability, and when the merchant was willing to sell at a price corresponding with their exchangeability to these purchasers, they were ready to buy. In the beginning, the manufacturer was a qualified monopolist, that is, he controlled the supply for a time, and so fixed the price; in the end, the exchangeability of the goods rapidly declined, so that the purchaser fixed the price; but afterwards, the quantity on hand having diminished, the final price was determined by the cost of production.

It is evident, therefore, that the reasonable price, which is the cost of production, will be the ultimate price of all things. This price will also equalize the division of gains so that no one shall get more or less than he ought to have. It is beyond our space to show that the number of commodities bought and sold at a reasonable price is constantly increasing, yet the evidence of this fact could be abundantly produced.

The difference between the highest and the lowest price of a commodity is often modified by various causes which we may call extrinsic. Thus a man may pay more for a thing because of his friendship to the seller, or sympathy for his condition. People will pay more for things at fairs and festivals in order to aid the objects which such associations represent. So the members of a community may trade at a particular place, even though they pay a somewhat higher price for their goods, on account of the known character of the dealer for honesty, politeness, etc. Again, the desires of a purchaser may often be veiled so that he does not actually pay as high a price as he would, if, his mind being like a piece of glass, the dealer could see what his real desires were. The same is also true of the dealer. But these are seeming, not real, exceptions, to the laws that have been set forth.

Having stated when the highest and lowest price is paid, and also what will be the ultimate price of things, it may be necessary to say something further concerning the fluctuations of price. If, for instance, the price of wheat is one dollar per bushel to-day, and one dollar and a quarter to-morrow, what has produced the change? Many would say it has been produced either because the quantity to be had has diminished or the quan-

tity desired has increased. But this is not always true. Thus suppose that three men are each desirous of purchasing a particular horse, and that each one is willing to give one hundred dollars for it, and no more. Is it not evident that no greater price can be obtained for the horse because there are three customers than if there were only one ? * The same is true in respect to many of the transactions of life. People will give a certain sum for a particular thing, and no more ; no matter whether the quantity that may be had is more or less. The reason of this in many cases is that if the things cannot be purchased at a given price, others are purchased as substitutes therefor. Consequently, if the quantity of a commodity becomes much reduced, the dealer may yet be obliged to sell at the old price, or no one will buy. Remembering, therefore, that personal effort and willingness of deprivation always fix the extremes of price, we remark that the fluctuations in price are the consequences of a change in the exchangeability of things. So long as this is unchanged, whether the article itself becomes plentiful or scarce, its price will remain the same. It is true that when the quantity of a commodity diminishes, its exchangeability often increases, and *vice versa.* Suppose, for illustration, that the wheat crop is only half as great this year as last, so that all cannot have their wants supplied if they remain the same as before. I say to myself, " The wheat crop is short this year, but I mean to have all that I want, whether others get all they want or not." Others say the same thing. It, therefore, becomes more exchangeable, so that all are willing to pay a higher price. Take another example. I noticed not long since that the price of laths in the New York market had advanced a little. What was the reason of this advance ? It was suddenly found that the quantity on hand was quite limited, and the dealers believed that all the laths in market, and more, would be needed at once to finish the buildings in process of construction. The

---

* Mr. Thornton has succeeded in showing that the law of supply and demand, at least as generally stated, is very defective ; that if it were true, prices should often rise when they do not, and *vice versa.* (" Thornton On Labor," Chap. I.) Though succeeding in this, his attempts to replace it by a law, namely, competition, we think Mr. Mill has shown to be a failure. See review of Thornton's book by J. S. Mill, Fort. Rev., Vol. II. pp. 505 - 518.

dealers took advantage of this state of things to increase the price. They became in fact qualified monopolists, that is, they sought to control the price to a certain extent. When the condition of the market was found out by the builders, they rushed to the dealers to get their wants supplied in order to complete their work. The exchangeability of the laths suddenly increased, — the builders were willing to pay more for them, — and so the dealers could get the additional price which they had fixed. But suppose the builders had met together and agreed not to pay the advance, but to send elsewhere for their supplies, would the advance have continued? Certainly not; it would have sunk down till the purchases were sufficient in number and quantity bought to satisfy the dealers. So it will be found in every case. Personal effort and willingness of deprivation fix the extremes of price, while the variations between them are dependent upon exchangeability, which in turn is affected by many causes, the chief of which may be mentioned as difficulty of attainment.*

ALBERT S. BOLLES.

ART. III. — 1. *The Political and Historical Works of* LOUIS NAPOLEON BONAPARTE. 2 vols. London. 1852.

2. *Histoire du Second Empire.* Par TAXILL DELORD. 3 vols. Paris. 1869-1873.

3. *La Lutte Électorale en* 1863. Par. JULES FERRY. Paris. 1863.

4. *Du Suffrage Universel et de la Manière de voter.* Par H. TAINE. Paris. 1872.

5. *La Réforme Électorale en France.* Par ERNEST NOVILLE. Paris. 1871.

UPON no other feature of the government of Napoleon III. has perhaps so great stress been laid by his apologists and supporters as upon that of universal suffrage. The position has often been taken, that, whatever charges may be preferred

* Or labor.